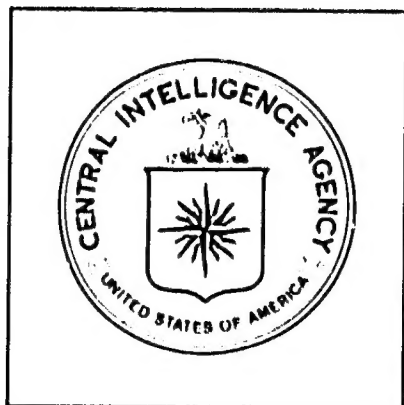


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STAFF NOTES:

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January 27, 1975

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Approved For Release 2005/07/01 : CIA-RDP86T00608R000300110002-6

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EAST ASIA



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CONTENTS

January 27, 1975

SOUTHEAST ASIA

25X1

The Arabs in Southeast Asia 1



Thailand: In Search of a Foreign Policy . . 10

Indonesia: Things That Go Bump
in the Night 13

Burma: The Insurgency Problem 16

Malaysia-Singapore: Friends at Last 18

NORTH ASIA



25X1

Japan and CIPEC 23

SOUTHEAST ASIA

25X1

25X1

The Arabs in Southeast Asia

Travel posters most often depict Southeast Asia as a land of Buddhist temples and exotic Hindu dancers, but it is equally the land of Muhammad and the mosque. More than 123 million Muslims live in the region, and 114.5 million of these are in Indonesia, the most populous Muslim nation in the world. Malaysia, with 4.7 million, counts itself a Muslim state. Thailand, Singapore, and the Philippines have significant Muslim minorities, while Burma has a small but vocal Muslim community.

Despite historic religious ties with the Arabs, Southeast Asian states have until recently had few diplomatic contacts with them, most of which have occurred in the context of international economic and political issues affecting former colonies. The new prestige and aggressive diplomacy of the Arab world since the Middle East war of October 1973 and the oil embargo, however, are making waves in Southeast Asia.

Southeast Asian governments have ambivalent feelings about Arab interest in their area. On the one hand, they get a vicarious pleasure from watching the Arabs humble the former colonial powers, and they see a chance for new sources of easy credit and economic assistance. On the other, they worry about the political and religious repercussions among their own Muslim populations of increasing Arab activities.

The Philippines was the first Southeast Asian state to experience directly the political and diplomatic effects of resurgent Arab Islam. In

January 27, 1975

1972, Libya's Qadhafi publicly took up the cause of Muslim insurgents in the southern Philippines. Interest in the rebels' cause subsequently spread to other Arab states as it became an important topic of discussion at the periodic international Islamic Conferences--a gathering of representatives of world Muslim states. Saudi Arabian officials have recently had bilateral talks with Manila about its treatment of the Muslim minority in the Philippines.

Arab interest in the Muslims has economic as well as political implications for Manila, which relies on the Middle East for 90 percent of its petroleum. Through some fancy diplomatic footwork, President Marcos managed to get an exemption from the oil embargo of 1973, but the experience brought home to him the consequences of antagonizing the Arabs. The nagging concern that Arab Muslim leaders are watching him closely has been an important factor in keeping Marcos on the path of moderation in his dealings with Muslim insurgents.

All things being equal, Marcos would probably prefer to let his armed forces try to settle the rebellion, but he has been under public pressure from the Arabs since last year's conference of Islamic foreign ministers called for negotiations. The secretary general of the Islamic Conference has visited Manila several times to promote discussions, and Marcos is now taking steps on several fronts. One series of talks is under way in Saudi Arabia, a country which did not have a Philippine ambassador until the fall of 1973.

Hoping to turn Arab interest in the southern Philippines to his own economic advantage, Marcos is seeking Arab participation in various development schemes planned for the Philippine Muslim

January 27, 1975

area. Despite polite noises from various Arab leaders, however, Marcos is finding it very difficult to separate the Arabs from their money.

Indonesia, self-appointed leader in regional affairs, views the Arab "invasion" of Southeast Asia with a jaundiced eye. President Suharto regards Philippine Muslim affairs as a local problem and resents outside interference. He is unhappy with the Arab's Johnny-come-lately diplomacy, which threatens to undercut his own efforts at mediation. Moreover, Indonesia's military leadership is uneasy with the precedent of Arab support for a Muslim minority in revolt against an established central government.

The army has bitter memories of the Muslim revolt in Indonesia in the 1950s. Since acceding to power in 1967, the generals have kept Indonesian Muslims on a short political leash. None of the top Indonesian leaders is a devout Muslim and, at the last Islamic Conference, Jakarta took care to draw a line between itself and the other participants on the grounds that Indonesia does not consider itself an "Islamic state."

Various Arab leaders have criticized the Suharto regime for its lukewarm support of worldwide Muslim causes, and there has been veiled criticism of its suppression of Indonesian Muslim political aspirations. Increasing contacts between Arabs and Indonesian Muslim leaders worry Suharto. He is aware that his own poor Islamic image could become a serious political handicap both at home and abroad. Suharto is trying to remedy this by scheduling a state visit to the Middle East for this summer and by finally making the pilgrimage to Mecca. He has also enlisted the aid of at least one Indonesian Muslim leader who has close ties with the Arabs to advise the government on how to improve relations with the local Muslim community and with the Arabs.

January 27, 1975

While Suharto hopes to prevent Arab meddling in Indonesian Muslim politics, he--like Marcos--is interested in opening up new sources of credit and economic assistance from the wealthy Arab states. Again like Marcos, Suharto has received more promises than capital. Some of his advisers attribute this to Arab uncertainty about his Muslim credentials.

Of all the Southeast Asian states, Malaysia probably has had the most contact with the Arabs. Malaysia has been an active participant in the Islamic Conference, and former Malaysian prime minister Tunku Abdul Rahman served as its secretary general until last year. Malaysian Islam, moreover, is more conservative and less eclectic than the Indonesian variety, and Malay Muslims have kept in closer touch with developments in Middle Eastern Islam, largely through students studying in Cairo and Mecca.

Malaysia has welcomed Arab interest in Southeast Asian Muslim affairs--particularly in the problem of Philippine Muslims, whose cause it has championed for many years.

Malaysian leaders show less concern than their Indonesian counterparts about the potential domestic political consequences of increased Arab activity; yet their government is probably the most vulnerable in Southeast Asia to political disruption from local Muslims. Although Malaysia calls itself an Islamic state, government leaders in Kuala Lumpur have little in common with the experiences and aspirations of the rural Malays, who form the majority of their Muslim constituency. Prime Minister Razak has already had problems with so-called Malay chauvinist politicians whose power is based in these rural areas.

January 27, 1975

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The increased presence of Arab Muslims in Southeast Asia could easily strike a resonant chord among conservative Malays and strengthen their hand against Razak. Unlike Indonesia, Malaysia does not have a large population of nominal Muslims to dissipate the effects of activist Muslim political ambitions. Moreover, the delicate communal balance between Malays and Chinese means that Razak must avoid anything that would politically divide the Malays.

Thailand has only a small Muslim minority, but it is concentrated in the southern provinces that border on Malaysia. Thai Muslims have long felt neglected by the central government, and Bangkok is suspicious of their close ethnic and cultural ties to Malay Muslims. The Arabs have already "discovered" the Thai Muslims, and the secretary general of the Islamic Conference recently toured the area. As with other Southeast Asian states, the Thai have begun paying more diplomatic attention to the Arabs, the major source of their oil.

With the exception of the Philippines, the new international prominence of the Arab states has had more impact on the leaders of Southeast Asian states than on their indigenous Muslim populations. This could quickly change, however, increasing problems for many governments in the area. Many local Muslim communities are dissatisfied with their present economic and political situation and increasing Arab interest in them could spawn antigovernment activities.

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January 27, 1975

Next 3 Page(s) In Document Exempt

Thailand--In Search of a Foreign Policy

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Thailand's foreign policy, like its political system, is in a state of transition. Although the outlook for parliamentary government taking permanent root in Thailand remains questionable, it is clear that Thai foreign policy is becoming more nationalistic and independent of the US than at any time since the end of World War II.

The metamorphosis in Thai foreign policy, which began during the latter years of the Thanom military regime, results largely from a conviction among senior Thai officials that the US is no longer prepared to play a major role in Southeast Asia. Many of these officials believe that their country's close support of US policy in Indochina has gained little more over the years than the enmity of Hanoi and Peking. Judging the US now to be a doubtful guarantor of Thailand's security, Bangkok has begun to mend its fences with neighbors long deemed hostile to its interests, notably China and North Vietnam. It has also taken steps to improve relations with Burma and Laos.

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Bangkok has made some progress in dealing with the new coalition government in Vientiane and with Ne Win's regime in Rangoon, but it has discovered that rapprochement with Peking and Hanoi is more easily said than done.

Thai officials generally agree that Peking is amenable to improving relations, but they are not of one mind on how best to proceed. Conservative government, military, and business circles remain wary of moving too fast to repair relations with Peking, out of concern partly over Chinese support to Communist insurgents in north Thailand and partly over a possible resurgence of pro-Peking sentiment

January 27, 1975

within Thailand's large Chinese population. The Foreign Ministry, on the other hand, believes that the sooner formal diplomatic relations are established with China, the better it will be for Thailand. Ministry officials seem to believe that moving closer to China will help to balance Thailand's long-standing close relationship with the US--a relationship that many Thai believe to be out of balance and in need of adjustment. Such thinking has also prompted the ministry to accelerate the establishment of formal diplomatic relations with East European countries.

The Thai have been less successful in trying to establish a dialogue with the North Vietnamese than with the Chinese. In an exchange of Foreign Ministry notes last month, Hanoi made clear that it was not prepared to improve relations until all US military forces were withdrawn from Thailand. While most members of Bangkok's conservative elite regard such a quid pro quo as out of the question, there does exist considerable sentiment among intellectuals, in the press, and in the Foreign Ministry for total US withdrawal at an early date. These elements argue that the continued presence of US forces unnecessarily limits Thailand's foreign policy options and actually nullifies any chance to improve relations with North Vietnam--a country that the Thai see as actively aiding Thai insurgents and as a more immediate threat to Thailand's security than China.

Although Thailand's new parliamentary government is likely to be conservative, it will probably also be responsive to the pressures for developing closer ties with Peking and Hanoi. A high-level official in the Foreign Ministry recently said that, even though little careful thought had been given to what form better relations with Hanoi or Peking should take, the newly elected government could well

January 27, 1975

move to establish formal diplomatic ties with China before the year is out. Mutual suspicions and the US base issue would seem, however, to rule out any early progress in relations with North Vietnam.

The new Thai government will want to retain a close association with the US. But it will probably seek to avoid becoming identified with US policies that it believes would impair its efforts to improve relations with its neighbors.

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January 27, 1975

Indonesia: Things That Go Bump in the Night

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Reports of political jostling among President Suharto's inner circle have increased in recent months, causing speculation about disunity among the military elite that governs Indonesia and the effect this could have on overall political stability. The latest reports of factionalism in the army occur only a year after the anti-Japanese--and by implication anti-government--riots of January 1974 in Jakarta, which stunned the Suharto regime and caused the army quickly to close ranks and publicly to patch up its differences.

An important element in the army factionalism of a year ago was the long-standing antagonism between General Sumitro, until last March deputy commander in chief of the armed forces, and General Ali Murtopo, close confidant of Suharto and leader of a clique of palace advisers. As a result of the January disturbances, General Sumitro, considered at that time the second most powerful man in the country, was forced to retire. The current backroom political activity reflects in part the fact that, since Sumitro's departure, there is no clear number two man in the regime. President Suharto's own coyness about whether he will stand for re-election in 1977 or retire as he has sometimes suggested only encourages maneuvering for position behind him--even though few believe Suharto will really leave.

In the wake of Sumitro's departure, General Murtopo began an aggressive campaign for greater power and influence and showed signs of entertaining political ambitions far beyond those of a loyal presidential aide-de-camp. He and his coterie intimated widely that Murtopo alone had Suharto's

January 27, 1975

confidence as a formulator of government policies in every field from foreign affairs to the economy. Members of Murtopo's well-publicized research institute became increasingly prominent, organizing seminars on national issues and policies and fostering a plethora of new mass organizations under the ostensible sponsorship of the quasi-governmental political party Golkar--itself controlled by the Murtopo apparatus. Word also spread that Murtopo would be appointed minister of the interior to give him an official position commensurate with his reputed influence.

Many army officers [redacted]

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[redacted] distrust Murtopo, but they are reluctant to confront him because of his close personal relationship with Suharto. There have been recent signs, however, that Murtopo may be more vulnerable than previously supposed, and these have triggered a spate of rumors that his star is fading. His enemies, scenting blood, are becoming more bold in their criticism of Murtopo's activities.

Jakarta's tea-leaf readers believe the watershed in Murtopo's fortunes was the "Pop" magazine affair of last October. "Pop," a Murtopo-controlled pulp magazine, printed a story alleging that President Suharto was not the son of a peasant, as he claims, but in fact the illegitimate descendant of a Javanese prince. Suharto, outraged, held an emotion-charged press conference during which he criticized Murtopo's special operations group, which runs the magazine, as irresponsible and said there was no place for this kind of thing in his government. [redacted]

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January 27, 1975

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Adding spice to rumors that Murtopo's tide is ebbing are indications that Sumitro has been re-stored to Suharto's good graces.

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President gave Sumitro's daughter away at her recent wedding, to the accompaniment of much publicity.

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Sumitro's return to political center would not be an unusual development in Indonesia where major figures often repent in the political wilderness and then are summoned again to glory. Sumitro kept this option open by not contesting Suharto's original demand for his retirement and by living quietly afterward.

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Murtopo's enemies would do well to avoid celebrating his political demise prematurely, however. Murtopo is a past master at political intrigue, and he evidently realizes he has been pushing a little too hard. Suharto has given no sign that he plans to dump his long-time aide and trusted adviser.

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Murtopo may have to scale down his political ambitions, at least for the present, handing a victory of sorts to his rivals.

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January 27, 1975

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Burma: The Insurgency Problem
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The Burmese government is still holding its own against its numerous insurgent foes, but there are signs that it will soon face a stronger challenge from its main antagonist--the Burmese Communist Party. Fighting in northeast Burma has been unusually light since the current dry season began last fall, but the Communists are building up their troop strength in eastern Shan State and may be preparing for heavier action. Communist forces made a major effort toward the administrative center at Kengtung last year, but the government was able to stop the advance and push the insurgents back toward the China border.

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The Communist units apparently have been experiencing morale and organizational problems, however, and they may not be capable of a campaign as large as the one last year before the rains begin again in June. The Burmese Communists have had to adjust to reduced personnel support from the Chinese during the past year, although they are still receiving logistic support from Peking. There were indications that the Communists had hoped to mount strong attacks last fall, but that some ethnic tribesmen who had been recruited forcibly refused to fight.

The Burmese army, which continues to use a major part of its manpower and resources to contain the Communists, is certain to react strongly to new attacks in the northeast. Last November, the army completed a massive six-month operation

January 27, 1975

in the Pegu Yomas area of central Burma, reportedly wiping out most of the remnants of a Communist force that had operated there. The region, once a Communist stronghold, has seen little insurgent activity in recent years.

The various narcotics-smuggling and ethnic groups in northeast Burma remain a secondary concern for Rangoon. There were indications last fall that the Burmese hoped to make deals with some of these non-Communist groups for military cooperation against the Communists. Local army commanders may have held discussions with a few rebel leaders, but mutual suspicions remain high, and there is no hard evidence that any deals have gone into effect as yet. The army is still trying to disrupt the fighting units and drug caravans of these groups.

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January 27, 1975

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Malaysia-Singapore: Friends at Last

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Singapore Prime Minister Lee Kuan Yew's three-day visit to Kuala Lumpur this month appears to have largely removed the vestiges of the bitter relations that followed Singapore's expulsion from the Malaysian Federation almost a decade ago.

Both countries have since become reconciled to a separate existence, but their relations took a downturn two years ago after Malaysia unilaterally took steps to sever remaining economic links. Although Lee and Razak smoothed over their personal differences during Razak's visit to Singapore in November 1973, this did not eliminate petty bickering at the civil servant level.

Lee's visit, at his initiative, took place amidst a cordiality that clearly pleased both Malaysian and Singaporean officials. Considering the predominance of each leader in his country, their obviously close rapport should have a beneficial effect in removing the rough spots that remain in the working level relationship.

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January 27, 1975

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The improvement in Malaysian-Singaporean relations is partly the consequence of a broadening regional outlook in both countries. Their increased contacts through the Association of Southeast Asian Nations (ASEAN) have brought a greater awareness of shared aspirations with their neighbors. Malaysia's expanding international role has spawned greater self-confidence in its dealings with the aggressive Singaporean Chinese, and Razak seems less constrained by Malay chauvinism than was his predecessor. For his part, Lee--although he does not brook questioning of his leadership at home--shows a greater disposition to try to understand his Malay neighbors.

Ingrained racial suspicions will continue to limit relations between Singapore and Malaysia. Nevertheless, the current lack of rancor is in sharp contrast to the feuding of the past, suggesting a greater maturity in both states and a growing determination not to let differing points of view obscure their common interests.

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January 27, 1975

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Japan and CIPEC

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Japan is moving cautiously in its dealings on the copper market, trying to avoid action that might strengthen the Intergovernmental Council of Copper Exporting Countries (CIPEC). The CIPEC countries, which supply 30 percent of Japan's copper imports, have succeeded at least temporarily in getting the Japanese to stop exporting refined copper, but the Japanese probably will resume exports, even at a loss, if ore shipments cannot be reduced from both CIPEC and non-CIPEC countries. To avoid giving any incentive for other nations to join CIPEC, Japan is asking for equal percentage cutbacks from all its major ore suppliers.

Normally a large net importer of refined copper, Japan upset the world market last year by becoming a large net exporter. In fact, Japan accounted for more than 100 percent of the increase in Free World exports during January-September 1974 as sales of many traditional large exporters declined. Despite a sharp falloff in domestic demand, Japanese smelters maintained metal production until late 1974 because they were tied to long-term import contracts for ores and concentrates. As inventories climbed and interest rates rose, the industry sought relief through exports. Refined copper exports totaled 203,000 metric tons during the first three quarters of 1974 compared with only 21,000 tons during the comparable 1973 period. Japan's exports jumped to 11 percent of the Free World total last year from only 1 percent in 1972 and 1973.

January 27, 1975

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Japanese exports undoubtedly were a key factor in the nearly 65-percent drop in the London Metal Exchange price of copper between April and the end of the year. In an effort to halt the decline, the CIPEC countries (Chile, Peru, Zambia, and Zaire) began probing Japanese intentions last summer and in September requested that Tokyo suspend exports. Japanese producers were reluctant to renegotiate their ore-import contracts, and Tokyo neither wanted to reduce export earnings nor help finance the producers' inventories. CIPEC pressure mounted, however, and Tokyo responded with a partial export ban on October 2 and a total ban on November 6. By this time, the Japanese had delivered their message: suspension of exports would require a cutback in production and a corresponding cut in imports of ores and concentrates.

The CIPEC members reportedly agreed to cut exports of unrefined copper to Japan by 10 percent during December 1974 and January 1975, and Japan agreed to approach other shippers for similar reductions. Within a month, however, the situation in Japan deteriorated; domestic demand fell further and inventories mounted. The government and commercial banks arranged \$40 million in loans to help finance stocks, but the smelters claimed they needed at least \$300 million to survive. Producers had no choice but to reduce output, in most cases by 15-25 percent. To prevent ore stocks from mounting, the Japanese went back to CIPEC and requested a 30 percent reduction in ore shipments through June 1975. The two sides reportedly compromised on a 15-percent cut for December and January deliveries, and agreed to negotiate the level of subsequent deliveries.

The Japanese have approached copper companies in non-CIPEC countries for similar percentage cutbacks in ore shipments. The response from Papua-New Guinea, Australia, Canada, and the Philippines,

January 27, 1975

[redacted]

which together provide about 60 percent of Japan's copper imports, has not been altogether favorable. Bougainville Copper, Ltd., in Papua-New Guinea, has agreed to reduce ore shipments by 15 percent for two months as have several companies in Canada. The Australians apparently are stalling, and Philippine companies reportedly are refusing to go along in the belief that the Japanese will reduce imports from other suppliers in favor of honoring contracts for lower price Philippine concentrates. If the Japanese persist, however, Philippine producers probably will have to accede because they have no alternative markets.

Tokyo responded positively to CIPEC pressure principally because it does not want to antagonize important raw material suppliers. For the same reason, the Japanese are trying to be impartial, reducing ore shipments from all suppliers by an equal percentage. By treating all suppliers equally, Japan also hopes to avoid encouraging other countries to join CIPEC. The Japanese prefer to deal bilaterally with raw-material suppliers, relying on the continued success of their network of trading companies to get what they need. International commodity agreements are viewed as a last resort. Should CIPEC emerge from the current disarray with any real clout in the market, it will be because the sharp falloff in world demand and in prices for copper induced members to work more closely together than at any time in the past.

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January 27, 1975